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lurgique, by R. PINOT. *L'industrie électrique*, by P. ESCHWEGE and L. LEGUEZ. *L'industrie houillère*, by H. DE PEYERIMHOFF. (Paris: Alcan. 1913. Pp. 190. 4 fr.)

Transportation and Communication

Railroads: Rates and Regulation. By WILLIAM Z. RIPLEY. (New York: Longmans, Green, and Company. 1912. Pp. xviii, 659. \$3.00.)

This book is the first of a two volume treatise by Professor Ripley of Harvard University which is to cover the field of railway economics in the United States. The second volume, to appear shortly, will deal with the subjects of finance and organization.

Students of railway economics who have read Professor Ripley's articles as they have appeared in various periodicals during the last decade will find much that is familiar in the present volume. Indeed, although the author does not mention it, most of the chapters which constitute the present work have already appeared in print. While this does not, of course, detract from their value, it does give the work more or less the character of a volume of essays and there are many repetitions in thought, if not in language, scattered through the book.

The first chapter, which furnishes an excellent brief historical survey of the development of transportation in the United States down to the period of public regulation, covers not only the topics usually considered in histories, such as road, canal, and railway building and public land grants, but also the development of traffic and the changes in its movement which resulted from the opening of new routes of commerce. This is followed by four chapters which deal with the theory and practice of rate making, several more which discuss the subject of railway discriminations, an excellent chapter on freight classification, and two chapters which describe in masterly fashion the rate structure in the various geographical sections into which the railroads have divided the country. Chapter 12 which deals with rate wars and the movement of rates since 1870 is properly enough made to precede the last eight chapters of the book which deal with the history of federal rate regulation and the work of the Interstate Commerce Commission.

Although in the footnotes, there are frequent references to the works of other writers, Professor Ripley does not seem to have drawn much of his material from these secondary sources nor

does his interpretation of the material seem to have been much influenced by them. In the main his sources of information are the reports and decisions of the Interstate Commerce Commission and the reports of various investigating committees, congressional and otherwise. Especial use has been made of the Elkins committee report of 1905.

The chapters entitled *The Theory of Railroad Rates* seem to be improperly labeled. One naturally expects a theory of rate making to set forth the principles on which the prices of railway transportation are, or at least should be, based. This statement the above chapters do not contain. The first chapter gives a careful analysis of railway expenditures which brings out many interesting facts illustrating the variability of different operating expenses and showing how even the so-called fixed charges fluctuate with the amount of the traffic. The second chapter discusses the applicability of the law of increasing returns to railway operations, and the author shows by a statistical study of the growth of railway traffic and of operating expenses that increasing returns arise not from supposed economies in operation due to large-scale production but from "fiscal conditions attaching to the heavy capital investment."

The subjects handled in both chapters undoubtedly have a bearing on the theory of rate making but they do not of themselves constitute such a theory. It is not until we reach the chapters entitled *Rate Making in Practice* that we find a discussion of the fundamental principles of rate making. Here the author shows how the railway manager makes his rates cover terminal as well as haulage charges and how the rates necessarily decrease relatively to distance. This simple state of affairs is soon modified by the introduction of competition at certain points, as is well illustrated by the tariffs in trunk line territory. As one modifying circumstance after another—competition of markets, of classes of producers and shippers, of commodities, and of by-products—comes up for consideration, the simple distance tariff loses much of its simplicity and we feel the absence of any guiding principle. Not only the railway manager but our author seems to be groping in the dark. Of this he appears to be more or less conscious, for in his preface he says: "It may be alleged that in places, so thick are the circumstantial trees of evidence that we can scarcely perceive the wood of principle."

It is the belief of the reviewer that it is only by a strict adherence to the cost-of-service principle of measuring the reason-

ableness of rates that one can escape from this dark forest. It is not, however, by attempting to calculate the cost of each service separately that we reach satisfactory results. Professor Ripley himself shows the fallacy of this method. He apparently has not, however, grasped the idea that all that is necessary to do is to use the principle of *comparative costs*. Generally speaking, his own discussion tends to support the cost-of-service theory but he often wobbles between this principle and that of "charging what the traffic will bear," and he closes the discussion of rate making as follows:

Our final conclusion, then, must be this: That both principles are of equal importance; and that both must be continually invoked as a check upon each other. . . . Neither will stand the test of reasonableness alone. Whether the one or the other should take precedence can only be determined by a careful study of the circumstances and conditions in each case; and in practice, the instances where either principle becomes of binding effect to the entire exclusion of the other, are extremely rare (p. 184).

This is much as though an author should close a textbook on ethics with the statement that circumstances must determine whether the principle of the Golden Rule or that of "an eye for an eye; a tooth for a tooth" should be adopted.

Now the really important thing, the fundamental consideration, is that each transportation service should be performed with the least possible outlay of time and resources. If this is done, the community can well afford to pay charges based on the relative costs of performing these services. This method of operation, however, our American railways do not follow. No one has shown this so well as has Professor Ripley in the chapter entitled *Problems of Routing*. It is a pity that he did not retain the title given to the article when it was first published, "*The Economic Wastes of Transportation*," for this served to call attention to the great loss society suffers from the much boasted American policy of emphasizing low ton-mile rates. It is only by insistence on the policy of comparative costs that the wastes due to circuitous routes and reciprocal invasion of out-lying markets can be prevented. No one can doubt that such wastes would quickly cease were all the railways under a single management. Now it should be the aim of government regulation to secure these savings without incurring the disadvantages due to railway monopoly.

The author appears at his best in his account of the numerous

ways in which personal discriminations have been made in recent years and in his description of the rate structure in various parts of the country. He feels certain that rebating has not entirely ceased but is convinced that federal legislation has assisted the carriers to put a stop to the most serious of the personal discriminations. Best of all the results of this government regulation has been the moral stimulus towards fair dealing which has been given.

Professor Ripley sees little hope in the adoption of any uniform classification of freight for the country as a whole in the near future, although he readily admits the dire need of it. Much, however, has already been accomplished, he points out, by a reduction in the number of commodity tariffs and he argues that there should be a representative of the Interstate Commerce Commission on each of the classification committees "ready at all times to exert pressure for simplification and uniformity."

The chapters which deal with the history of government regulation of railroads since 1887 traverse ground which has been so often gone over by other writers that there is little opportunity presented for originality either of treatment or of subject-matter. The chapters are, however, carefully done and are interesting reading. Perhaps the thing which will be most appreciated in this part of the book is the author's discussion of the effects of the enactment of the 1906 and 1910 amendments to the act to regulate commerce and his review of the important cases in which the courts have defined the powers of the Interstate Commerce Commission. While the author withholds final judgment on the question of the desirability of continuing the Commerce Court, his review of the work of that tribunal is highly critical and, on the whole, his treatment of this subject is less convincing than that of Mr. Samuel O. Dunn in the March number of this *REVIEW*.

Professor Ripley's treatment of the work of the various state commissions is very inadequate and doubtless the author recognizes this as well as any one. His intention seems to have been merely to indicate the way in which the work of these commissions has tended to complicate the problem of regulation by federal authority. The decisions which have been handed down by the United States Supreme Court in the Minnesota and other state rate cases, and which have just been published, will doubtless be disappointing to the author, as they tend in the main to uphold the contentions of the governors and thus still leave plenty of

room for conflict between the state and the federal authorities.

Taken as a whole Professor Ripley's first volume seems likely to become the authoritative treatise on the subject of railway regulation by the federal government.

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History of Road Legislation in Iowa. Iowa Economic History Series. *Road Legislation in Iowa.* Iowa Applied History Series, Vol. I, No. 2. By JOHN E. BRINDLEY. (Iowa City: The State Historical Society of Iowa. 1912. Pp. xiii, 422; 97.)

The State Historical Society of Iowa, under the leadership of its secretary, Professor Benjamin F. Shambaugh, has taken a much broader view of its functions than have similar societies in other states. In the *Iowa Economic History Series*, it has undertaken the investigation and publication of comprehensive studies in legislation and administration of the problems of state and local government; and in the *Iowa Applied History Series*, it presents a briefer account to make accessible to a wider circle the results of the larger studies. The numbers already issued, on such subjects as taxation, road legislation, public utilities, work accident indemnity, primary elections, and corrupt practices, present a much more thorough study of these problems in economics and public administration in Iowa than is available for any other state. Moreover, the studies include a summary of legislation in other states and a discussion of proposed legislation, which should have large results in the future legislation of Iowa, and will also be found of service in other states.

Dr. Brindley's monograph on the *History of Road Legislation in Iowa*, like his *History of Taxation in Iowa*, is based on a thorough and detailed study of the statutes and other public records, with materials from local histories and newspapers. This has necessarily involved some account of the history of township and county government, which is closely connected with local road administration. The history of local government in Iowa discloses a good deal of experimental legislation, with varying degrees of emphasis on county and township authorities. The code of 1851 established a thoroughly centralized county system, with road management vested in the county judge and county road supervisor. Two years later, provision was made for road